

**BOYS & GIRLS
CLUB OF HARLEM, INC.**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2019

BOYS & GIRLS CLUB OF HARLEM, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 – 11



Rosemarie M. Lewis LLC
Certified Public Accountant

125 West 109th Street, Suite 11 C • New York, NY 10025

Tel: (631) 338-9390 • Fax: (646) 596-9322

Email: rmbwood@aol.com

Independent Auditor's Report

To the Board of Directors of
Boys & Girls Club of Harlem, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Boys & Girls Club of Harlem, Inc. which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Club of Harlem, Inc. as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Boys & Girls Club of Harlem, Inc.'s December 31, 2018 financial statements and expressed an unmodified opinion dated September 24, 2019 on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020, on our consideration of Boys & Girls Club of Harlem, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



November 13, 2020

BOYS & GIRLS CLUB OF HARLEM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019 and 2018

ASSETS	<u>2019</u>	<u>2018</u>
Cash	\$ 8,751	\$ 96,569
Investments, at market	1,982,569	2,218,563
Grants and contract receivables	920,839	140,009
Deposits	7,745	7,745
Fixed assets, net	344,115	438,898
Total assets	<u>\$ 3,264,019</u>	<u>\$ 2,901,784</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable & accrued expenses	\$ 98,130	\$ 74,577
Fiscal Sponsorship	15,000	42,750
Line of Credit	948,500	-
Total liabilities	<u>1,061,630</u>	<u>117,327</u>
Net assets	<u>2,202,389</u>	<u>2,784,457</u>
Total liabilities and net assets	<u>\$ 3,264,019</u>	<u>\$ 2,901,784</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF HARLEM, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(with summarized financial information for December 31, 2018)

	<u>2019</u>	<u>2018</u>
Revenues and Other Support		
Institutional support	\$ 246,528	\$ 455,983
Government contracts	1,215,541	261,904
Contributions	68,422	104,058
Program fees	119,915	141,487
Special events, net	19,425	53,563
Investment return	327,884	(61,631)
Other income	38,751	11,585
Total revenues and other support	<u>2,036,466</u>	<u>966,949</u>
Expenses		
Program services	<u>1,853,152</u>	<u>1,383,838</u>
Support Services:		
Management and General	498,239	280,859
Fundraising	267,143	115,407
Total support services	<u>765,382</u>	<u>396,266</u>
Total expenses	<u>2,618,534</u>	<u>1,780,104</u>
Change in Operating Net Assets	<u>(582,068)</u>	<u>(813,155)</u>
Net Assets - Beginning of year	<u>2,784,457</u>	<u>3,597,612</u>
Net Assets - End of year	<u>\$ 2,202,389</u>	<u>\$ 2,784,457</u>

The accompanying notes are an integral part of these financial statements

BOYS & GIRLS CLUB OF HARLEM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(with summarized financial information for December 31,2018)

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (582,068)	\$ (813,155)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization expense	94,783	88,991
Investment return (gains)/losses	(327,884)	61,631
(Increase)/Decrease in operating assets		
Grants receivable	(780,830)	133,818
Other receivables	-	175
Increase/(Decrease) in operating liabilities		
Accounts payable and accrued expenses	23,553	(45,353)
Accrued salaries	-	(14,280)
Contract Advances	-	(7,522)
Net cash used by operating activities	(1,572,446)	(595,695)
Cash Flows from Investing Activities		
Fiscal Sponsorship	(27,750)	42,750
Sales of investments	563,878	1,221,120
Purchase of fixed assets	-	(72,217)
Net cash provided by financing activities	536,128	1,191,653
Cash Flows from Financing Activities		
Drawdowns from (Payment of) Line of Credit	948,500	(551,440)
Net cash provided (used) by financing activities	948,500	(551,440)
Net change in cash	(87,818)	44,518
Cash - beginning of year	96,569	52,051
Cash - end of year	\$ 8,751	\$ 96,569
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 21,157	\$ 12,672

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF HARLEM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019
(with summarized financial information for December 31,2018)

	Program Services	Support Services			2019 Total expenses	2018 Total expenses
		Management & General	Fund- raising	Total Supporting expenses		
Personnel Services						
Salaries	\$ 1,018,002	\$ 55,385	\$ 149,200	\$ 204,585	\$ 1,222,587	\$ 709,846
Payroll taxes	86,901	7,233	12,691	19,924	106,825	103,623
Fringe benefits	41,165	13,103	6,011	19,114	60,279	4,018
Total personnel services	<u>1,146,068</u>	<u>75,721</u>	<u>167,902</u>	<u>243,623</u>	<u>1,389,691</u>	<u>817,487</u>
Other Than Personnel Services						
Contracted services	100,529	31,456	6,700	38,156	138,685	146,045
Program activities expenses	190,957	4,600	13,415	18,015	208,972	265,349
Professional fees	97,083	164,249	33,194	197,443	294,526	117,341
Investment fees	-	46,411	-	46,411	46,411	38,861
Occupancy	48,329	50,810	6,423	57,233	105,562	111,261
Consumable supplies	26,282	23,694	4,436	28,130	54,412	10,182
Insurance	70,962	10,227	10,363	20,590	91,552	43,586
Conferences, travel & meetings	60,956	14,194	7,926	22,120	83,076	27,230
Equipment, website and software	13,598	13,969	4,253	18,222	31,820	21,853
Dues, licenses and permits	9,222	1,663	2	1,665	10,887	83,063
Telephone	9,633	1,432	782	2,214	11,847	-
Bank and merchant fees	12	33,320	-	33,320	33,332	3,287
Miscellaneous	529	1,080	212	1,292	1,821	14,416
Interest expense	-	21,157	-	21,157	21,157	12,672
Total functional expenses before depreciation and amortization	<u>628,092</u>	<u>418,262</u>	<u>87,706</u>	<u>505,968</u>	<u>1,134,060</u>	<u>895,146</u>
Depreciation and amortization	<u>78,992</u>	<u>4,256</u>	<u>11,535</u>	<u>15,791</u>	<u>94,783</u>	<u>88,991</u>
Less: Special events costs	-	-	-	-	-	(21,520)
Total expenses	<u>\$ 1,853,152</u>	<u>\$ 498,239</u>	<u>\$ 267,143</u>	<u>\$ 765,382</u>	<u>\$ 2,618,534</u>	<u>\$ 1,780,104</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF HARLEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Boys & Girls Club of Harlem, Inc. was incorporated in the State of New York in 1980 as a Not-for-Profit Corporation.

The organization operates after-school and summer programs with a focus on academic enrichment, job and life skills training, character and leadership development as well as recreational opportunities. Community partners, school administrators and guidance counselors as well as juvenile justice professionals refer youths to the programs of the club.

The following is a summary of the more significant accounting policies:

Basis of Accounting

The financial statements of Boys & Girls Club of Harlem, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivable, payables, and other liabilities.

Basis of Presentation

The financial statements presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-225), Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-225, and the FASB Accounting Standards Update 2016-14, the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

Boys & Girls Club of Harlem, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the organization has made no provision for federal income taxes in the accompanying financial statements.

Fixed Assets

Fixed assets are recorded at cost, if purchased, or fair value at date of gift, if donated. The organization capitalizes all purchases of fixed assets in excess of \$1,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets or, in the case of leasehold improvements, over the life of the lease, if shorter.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

BOYS & GIRLS CLUB OF HARLEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Functional allocations

In accordance with Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, certain expenses have been allocated among the programs and supporting services based on management's best estimates. The expenses that are allocated include salaries and payroll taxes and employee benefits, which are allocated based on estimates of time and effort. Other allocated expenses include occupancy, professional fees and contracted services, telephone, membership dues and subscriptions, consumable supplies, equipment rental and maintenance, insurance, and depreciation which are allocated based on full-time employees per program. Certain expenses are charged wholly to specific programs in accordance with contractual agreements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that estimates certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

Certain line items in the 2018 financial statements have been reclassified to conform to the 2019 financial statement presentation.

Investments

Investments are reported at fair value in the statement of financial position. The statement of activities includes investment return comprising interest, dividend, realized and unrealized gains and losses.

Concentration of Credit

The organization maintains cash for operations in bank deposit accounts, which, at times, may exceed federally insured limits. The organization has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 2 INVESTMENTS

Investments comprise the following at December 31:

Domestic Fixed income	\$1,274,522
International Fixed income	58,734
Domestic Equities	392,776
International Equities	133,814
Alternative Investments	92,145
Cash & Equivalents	<u>30,578</u>
	<u>\$1,982,569</u>

The organization is invested in a mix of assets, which is recorded at fair market value based on quoted market prices. Investments are subject to market volatility that could change their carrying values substantially in the near term.

Earnings from investments consist of the following for the year ended December 31:

Dividends	\$ 75,720
Net realized and unrealized gain (loss)	<u>252,164</u>
	<u>\$ 327,884</u>

BOYS & GIRLS CLUB OF HARLEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 FAIR VALUE MEASUREMENTS

In determining fair value, the organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible in its assessment of fair value. The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in bonds, closed-end equities mutual funds and certain alternative investments are valued using quoted prices in inactive markets (Level 2). Level 2 instruments valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. Financial instruments classified as Level 3 in the fair value hierarchy represent the organization's investments in financial instruments in which the organization has used at least one significant unobservable input in the valuation model. The organization was invested in cash, fixed income, equities and alternative investments as of December 31, 2019. Below are the valuation techniques used by the organization to measure different financial instruments at fair value.

Marketable equity securities and money market funds listed on a national securities exchange are stated at the last reported sales or trade price on the day of valuation.

Marketable debt securities, U.S. government debt, and non-U.S. government debt are valued based on the last reported bid or evaluation provided by broker-dealers.

Alternative investments are stated at fair value based on an unquoted market. Fair value of these assets is based, in part, on valuations provided by the sponsors and/or managers of these instruments.

Financial assets carried at fair value as classified:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic Fixed income	\$ -	\$ 1,274,522	\$ -	\$ 1,274,522
International Fixed income	-	58,734	-	58,734
Domestic Equities	392,776	-	-	392,776
International Equities	133,814	-	-	133,814
Alternative Investments	-	-	92,145	92,145
Cash & Equivalents	<u>30,578</u>	<u>-</u>	<u>-</u>	<u>30,578</u>
	<u>\$ 557,168</u>	<u>\$ 1,333,256</u>	<u>\$ 92,145</u>	<u>\$ 1,982,569</u>

BOYS & GIRLS CLUB OF HARLEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 FAIR VALUE MEASUREMENTS - continued

The following table presents a reconciliation of activity for the Level 3 instruments at December 31.

Balance at January 1, 2019	\$ 110,027
Redemptions	(28,807)
Income (loss)	13,082
Fees	<u>(2,157)</u>
Balance at December 31, 2019	<u>\$ 92,145</u>

NOTE 4 GRANTS AND CONTRACT RECEIVABLES

The Boys & Girls Club of Harlem is the recipient of several grant awards from various institutional supporters. The following amounts reflect grants awarded during the year and unpaid at December 31, 2019:

Receivables

Empire State After-school Program	\$ 506,858
New York State Discretionary	113,330
New York State Advantage	99,065
New York City Department of Education	89,000
New York City Title IV	25,000
New York City Council	19,656
Boys & Girls Club of America	36,528
Kips Bay Boys and Girls Club, Inc.	18,308
New York State Alliance of Boys & Girls Clubs	10,516
Grants and contracts under \$10,000	<u>2,578</u>
	<u>\$ 920,839</u>

The estimated collection period for the receivables as of December 31, 2019 is expected to be less than one year.

NOTE 5 FIXED ASSETS

Kitchen equipment	\$ 164,745
Other equipment	311,018
Leasehold improvements	<u>141,523</u>
Total depreciable assets	617,286
Less accumulated depreciation	<u>(273,171)</u>
	<u>\$ 344,115</u>

Kitchen and Sound equipment are depreciated over their useful lives, which range between five and seven years. Other equipment is amortized over 15 years.

NOTE 6 COMMITMENTS AND CONTINGENCIES

In accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes”, which provides standards for establishing and classifying any tax provisions for uncertain tax positions, the organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2016 and subsequent remain subject to examination by applicable taxing authorities.

Under the terms of funding agreements with various governmental agencies, reported and/or claimed expenditures are subject to audit and acceptance by the funding agencies. In the opinion of management, adjustments, if any, resulting from future audits, should not have a material effect on the organization’s financial position or changes in net assets.

BOYS & GIRLS CLUB OF HARLEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 LINE OF CREDIT

The Boys & Girls Club of Harlem has a SEC Backed Lending revolving line-of-credit (LOC) agreement to lease various computer and office equipment. The LOC is available up to \$1,200,000, of which the Club has used \$948,500 as of December 31, 2019. The Club is using its investments to collateralize the LOC and the LOC carries an interest rate of 4%.

NOTE 8 FISCAL SPONSORSHIP

During 2018, Boys & Girls Club of Harlem entered into an arrangement to provide fiscal sponsorship services to two local organizations, Bridge Lab and Harlem Renaissance Education Pipeline, that have not yet been recognized as tax-exempt under Internal Revenue Code Section 501(c)(3). As fiscal sponsor, Boys & Girls Club of Harlem provides fiduciary oversight, financial management, and other administrative services on behalf of these two charitable projects.

NOTE 9 AVAILABLE RESOURCES AND LIQUIDITY

Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* requires organizations to disclose both qualitative and quantitative information about how the entity manages its liquid resources.

Boys & Girls Club of Harlem regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and lines of credit

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the organization considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the organization strives to maintain a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the organization's cash.

As of December 31, 2019, the following table show the total financial assets held by the organization and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end	
Cash and cash equivalents	\$ 8,751
Grants and contract receivable, net	920,839
Investments convertible to cash within 12 months	<u>1,982,569</u>
Financial assets at year-end	<u>\$ 2,912,159</u>

NOTE 10 SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 13, 2020, the date which the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.